

Consolidated financial statements of
Municipality of Casselman

December 31, 2022

Municipality of Casselman

December 31, 2022

Table of contents

	Page
Independent Auditor's Report	1 – 2
Consolidated statement of operations	3
Consolidated statement of financial position	4
Consolidated statement of change in net debt	5
Consolidated statement of cash flow	6
Notes to the consolidated financial statements	7 – 13
Schedules	
Consolidated tangible capital assets – Schedule 1	14
Consolidated accumulated surplus – Schedule 2	15
Consolidated statement of change in reserves and reserve funds – Schedule 3	16
Consolidated statement of expenses by object – Schedule 4	17

To the members of Council, inhabitants and ratepayers of
Municipality of Casselman

Opinion

We have audited the consolidated financial statements of Municipality of Casselman (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2022, and the results of its operations, change in its net debt and its cash flow for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Predecessor Report

The financial statements for the year ended December 31, 2021, were audited by another professional firm who expressed an unmodified opinion on those financial statements dated May 25, 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hawkesbury ON
July 7, 2023

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP s.r.l./LLP

300, rue McGill, Hawkesbury ON, K6A 1P8
300 McGill Street, Hawkesbury ON, K6A 1P8

Tél. : 613.632.4178 Téléc. : 613.632.7703
T: 613.632.4178 F: 613.632.7703

Municipality of Casselman
Consolidated statement of operations
Year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
	\$	\$	\$
Revenues			
Taxation – all classes	6,878,685	7,309,560	6,725,272
Less: amounts received for counties and school boards (Note 3)	(3,571,214)	(3,706,852)	(3,436,592)
Net taxation for municipal purposes	3,307,471	3,602,708	3,288,680
User fees	3,865,265	7,217,530	3,801,420
Transfer payments			
Government of Canada	127,885	658,861	103,021
Province of Ontario	441,118	1,210,012	599,501
Other municipalities	86,344	144,561	141,338
Licenses and permits	289,745	368,364	206,634
Investment income	42,275	248,486	51,723
Penalties and interest	35,850	23,073	21,160
Fines	30,300	17,301	4,846
Rent	14,200	15,384	17,646
Sales of materials	31,700	32,532	41,284
Donations	2,500	51,075	1,328
	8,274,653	13,589,887	8,278,581
Expenses (Schedule 4)			
General government	1,210,497	1,471,056	1,130,721
Protection to person and property	1,259,557	1,513,446	1,233,616
Transportation services	929,005	1,587,264	1,125,730
Environmental services	1,736,654	3,052,475	2,822,155
Recreation and cultural services	977,289	1,442,275	1,118,619
Planning and development	327,613	767,738	390,134
	6,440,615	9,834,254	7,820,975
Annual surplus	1,834,038	3,755,633	457,606
Accumulated surplus, beginning of year	32,360,614	32,360,614	31,903,008
Accumulated surplus, end of year (Schedule 2)	34,194,652	36,116,247	32,360,614

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Municipality of Casselman
Consolidated statement of financial position
As at December 31, 2022

	2022	2021
	\$	\$
Assets		
Financial assets		
Cash	11,040,777	10,406,403
Investments (Note 4)	138,692	172,485
Taxes receivable	265,076	169,093
Accounts receivable	1,194,479	837,653
Lands for resale	1,614,634	1,614,634
	14,253,658	13,200,268
Liabilities		
Accounts payable and accrued liabilities	3,463,809	1,497,834
Landfill closure and post-closure care activities (Note 6)	1,380,922	1,275,827
Deferred revenues (Note 7)	2,355,589	4,034,816
Debts (Note 8)	19,963,800	15,847,079
	27,164,120	22,655,556
Net debt	(12,910,462)	(9,455,288)
Commitments (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	48,853,971	41,610,988
Prepaid expenses	172,738	204,914
	49,026,709	41,815,902
Accumulated surplus (Schedule 2)	36,116,247	32,360,614

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Approved on behalf of the Council

_____, Mayor

_____, Treasurer

Municipality of Casselman
Consolidated statement of change in net debt
Year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
	\$	\$	\$
Annual surplus	1,834,038	3,755,633	457,606
Loss on sale of tangible capital assets	-	33,736	12,916
Amortization of tangible capital assets	-	1,808,360	1,747,970
Purchase of tangible capital assets	(9,753,786)	(9,085,079)	(1,365,708)
Tangible capital asset adjustment	-	-	95,720
Decrease (increase) of prepaid expenses	-	32,176	(36,831)
(Increase) decrease in net debt	(7,919,748)	(3,455,174)	911,673
Net debt, beginning of year	(9,455,288)	(9,455,288)	(10,366,961)
Net debt, end of year	(17,375,036)	(12,910,462)	(9,455,288)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Municipality of Casselman
Consolidated statement of cash flow
Year ended December 31, 2022

	2022	2021
	\$	\$
Operating activities		
Annual surplus	3,755,633	457,606
Change in non-cash assets and liabilities		
(Increase) decrease in taxes receivable	(95,983)	138,878
(Increase) decrease in accounts receivable	(356,826)	281,344
Increase in lands for resale	-	(1,539,556)
Increase in accounts payable and accrued liabilities	551,956	67,718
Increase in landfill closure and post-closure care activities	105,095	21,253
(Decrease) increase in deferred revenues	(1,679,227)	901,307
Decrease (increase) in prepaid expenses	32,176	(36,831)
	(1,442,809)	(165,887)
Non-cash operating items		
Loss on sale of tangible capital assets	33,736	12,916
Amortization of tangible capital assets	1,808,360	1,747,970
Tangible capital asset adjustment	-	95,720
	1,842,096	1,856,606
Net increase in cash from operating activities	4,154,920	2,148,325
Capital activity		
Purchase of tangible capital assets	(7,671,060)	(1,365,708)
Investing activity		
Proceeds of sale of investments	33,793	919,291
Financing activities		
Proceeds from long-term debt	5,051,000	1,550,000
Debts principal repayment	(934,279)	(856,320)
	4,116,721	693,680
Net increase in cash	634,374	2,395,588
Cash, beginning of year	10,406,403	8,010,815
Cash, end of year	11,040,777	10,406,403

Additional information is presented in Note 9.

The accompanying notes and schedules are an integral part of the consolidated financial statements.

1. Future accounting policies

Effective date: April 1st, 2022

Section PS 1201, Financial statement presentation

This section establishes general reporting principles and standards for the disclosure of information in government financial statements.

The Municipality is currently evaluating the impacts of this new standard, which is applicable on a prospective basis.

Section PS 2601, Foreign currency translation

This section establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.

The Municipality is currently evaluating the impacts of this new standard, which is applicable on a prospective basis.

Section PS 3041, Portfolio investments

This section establishes standards on how to account for and report portfolio investments in government financial statements.

The Municipality is currently evaluating the impacts of this new standard, which is applicable on a prospective basis.

Section PS 3280, Asset retirement obligations

This section establishes standards on how to account for and report a liability for asset retirement obligations.

The Municipality is currently evaluating the impacts of this new standard, which is applicable on a prospective basis.

Section PS 3450, Financial instruments

This section establishes standards on how to account for and report all types of financial instruments including derivatives.

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

The Municipality is currently evaluating the impacts of this new standard, which is applicable on a prospective basis.

1. Future accounting policies (continued)

Effective date: April 1st, 2023

Section PS 3400, Revenue

This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The Municipality is currently evaluating the impacts of this new standard, which may be applied retroactively or prospectively.

2. Accounting policies

The consolidated financial statements of the Municipality are the responsibility of management and are prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The consolidated statement of financial position reports assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represent the difference between financial assets and liabilities. This information explains the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Reporting entity

Consolidated financial statements

These consolidated financial statements reflect the assets, liabilities, operating revenues and expenses, reserves and reserve funds and changes in investment in tangible capital assets and include the activities of all committees of Council and the following board which is under the control of Council:

Casselman Public Library Board
Corporation de la revitalisation du centre-ville de Casselman

2. Accounting policies (continued)

Basis of accounting

Accrual basis

Expenses and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of an obligation to pay.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets.

Tangible capital assets

Tangible capital assets (TCA) are recorded at cost, which includes all amounts that are directly attributable to acquisitions, construction, development or betterment of the asset. The cost, less residual value of the TCA, is amortized on a straight-line basis over its estimated useful life as follows:

Machinery and equipment	5 – 50 years
Vehicles	10 – 20 years
Roads	10 – 50 years
Land improvements	20 – 75 years
Buildings and facilities	20 – 90 years

The amortization starts in the month when the asset is put into service and ends in the month of sale. Assets under construction are not amortized until the TCA are available for productive use.

Lands are not amortized due to their infinite life.

The Municipality has a capitalization threshold of \$25,000 for civil infrastructure systems and pooled assets and \$10,000 for all other assets. Items of lesser value are expensed, unless they are pooled because, collectively, they have significant value or for operational reasons. Examples of pools are desktop computer systems, meters, utility poles and fire hydrants.

Contribution of tangible capital assets

TCA received as contributions are recorded in the consolidated statement of financial position at their fair value at the date of receipt and that fair value is also recorded as revenue. Transfers of TCA to the other organizations are recorded as an expense at the net book value as of the date of transfer.

Leases

Leases are classified as capital or operating leases. Leases, which transfer substantially all the benefits and risks incidental to ownership of property, are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost. Cost is determined on the first-in, first-out basis.

2. Accounting policies (continued)

Basis of accounting (continued)

Investment

The investments are term deposits recorded at cost. Accrued interest are included in accounts receivable.

Deferred revenues

Funds received for specific purposes are accounted for as deferred revenues until the Municipality discharges its obligation, which led to receipt of the funds.

Government transfers

Government transfers are recognized as revenues in the period during which the transfer is authorized, and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenues are recognized when the stipulation has been met.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the consolidated statement of operations and within the related notes sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables, the useful life of TCA and certain accrued liabilities. Actual results could differ from these estimates.

3. Operations of the United Counties of Prescott and Russell and the school boards

The taxation of the United Counties of Prescott and Russell and the school boards is comprised of the following:

	United Counties	School boards	Total
	\$	\$	\$
2022			
Taxation	2,305,684	1,281,701	3,587,385
Supplementary taxes	94,915	34,762	129,677
Taxes written off	(5,874)	(4,336)	(10,210)
	2,394,725	1,312,127	3,706,852
2021			
Taxation	2,106,008	1,232,702	3,338,710
Supplementary taxes	97,016	38,668	135,684
Taxes written off	(14,640)	(23,162)	(37,802)
	2,188,384	1,248,208	3,436,592

4. Investments

	2022	2021
	\$	\$
Term deposits, 0.5% to 0.6%, maturing between August 2023 and June 2024	138,692	172,485

5. Bank loan

The Municipality has an authorized line of credit of \$500,000 (\$500,000 in 2021) at preferred rate plus 0.75% (plus 0.75% in 2021) which was unused at year-end (unused at year-end in 2021).

6. Landfill closure and post-closure care activities

The amount includes expenses for closure and post-closure activities. The accrued charges for these expenses are calculated by an environmental expert. The landfill site is closed.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, the monitoring of well development, groundwater and surface water sampling and analysis, groundwater level monitoring and reporting to the ministry.

The accrued liabilities recorded are based on estimates and assumptions with respect to events over a period of more than 20 years. Future events could affect significantly the estimates recorded. These differences would be recorded when discovered.

7. Deferred revenues

	2022	2021
	\$	\$
Development charges	2,057,561	3,350,436
Parkland	20,697	20,201
Other	277,331	664,179
	2,355,589	4,034,816

The net change during the year in deferred revenues is made up as follows:

Amounts received	2,723,795	1,058,658
Investment income	73,119	24,418
Deferred revenues recognized	(4,476,141)	(181,769)
	(1,679,227)	901,307
Deferred revenues, beginning of year	4,034,816	3,133,509
Deferred revenues, end of year	2,355,589	4,034,816

8. Debts

	2022	2021
	\$	\$
Debts incurred by the Municipality with interest between 2.01% and 5.15%, maturing between 2026 and 2049	19,963,800	15,847,079

Of the debts reported above, principal payments for the next fiscal years are as follows:

	General taxation	User charges	Total
	\$	\$	\$
2023	275,425	742,356	1,017,781
2024	279,065	764,447	1,043,512
2025	1,832,790	787,153	2,619,943
2026	286,618	810,548	1,097,166
2027	2,475,280	834,653	3,309,933
Thereafter	2,420,044	8,455,421	10,875,465
	7,569,222	12,394,578	19,963,800

The annual principal and interest payments required to service these debts are within the annual debt repayment limits prescribed by the Ministry of Municipal Affairs.

9. Additional information relating to the consolidated statement of cash flow

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$9,085,079 (\$1,365,708 in 2021), of which \$1,414,019 (nil in 2021) were paid after year-end and \$7,671,060 (\$1,365,708 in 2021) were paid during the year.

10. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan which, for 2022, was on behalf of 18 members (19 in 2021) of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2022 was \$132,717 (\$81,905 in 2021) for current services and is included as an expense in the consolidated statement of operations.

11. Commitments

Waste and recycling collection

The Municipality has entered into an agreement for waste and recycling collection. The agreement was signed in December 2019 and expires in December 2023. The total estimated amount payable in the next year is \$112,000.

Maintenance of waterwork and sewer system

The Municipality has signed an agreement in December 2021 for maintenance of the waterwork and sewer system which matures in December 2026. The total estimated amount payable over the next four years is \$2,605,000.

Landscaping maintenance

The Municipality has signed agreements for landscaping maintenance. These agreements signed in 2020 and 2021 mature in October 2024. The total estimated amount payable over the next two years is \$91,000.

12. Contractual rights

Lease agreements

The Municipality has signed five lease agreements for the rental of buildings. These agreements signed between September 2012 and March 2022 mature between March 2024 and August 2027. The total estimated amount receivable over the next five years is \$845,000.

13. Budget amounts

The initial operating budget approved by the Municipality is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expense amounts. As well, the Municipality does not budget activity within reserves and reserve funds, with the exception being those transactions, which affect either operations or tangible capital assets.

14. Corresponding figures

Certain corresponding figures have been reclassified to conform to the current year's presentation.

Municipality of Casselman
Consolidated tangible capital assets
Year ended December 31, 2022

Schedule 1

	Lands and land improvements	Buildings and facilities	Vehicles	Roads	Machinery and equipment	Assets under construction	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Beginning of year	5,521,768	37,110,776	1,761,622	9,497,177	13,248,112	5,308,085	72,447,540	71,678,546
Purchases	651,288	1,140,356	22,422	217,016	185,714	6,868,283	9,085,079	1,365,708
Sales	-	(47,008)	-	(327,935)	-	-	(374,943)	(596,714)
Transfers	-	5,308,085	-	-	-	(5,308,085)	-	-
End of year	6,173,056	43,512,209	1,784,044	9,386,258	13,433,826	6,868,283	81,157,676	72,447,540
Accumulated amortization								
Beginning of year	2,129,686	13,621,427	1,298,508	6,159,038	7,627,893	-	30,836,552	29,576,660
Amortization	134,405	765,426	111,767	188,602	608,160	-	1,808,360	1,747,970
Accumulated amortization on sales	-	(28,882)	-	(312,325)	-	-	(341,207)	(488,078)
End of year	2,264,091	14,357,971	1,410,275	6,035,315	8,236,053	-	32,303,705	30,836,552
Net book value	3,908,965	29,154,238	373,769	3,350,943	5,197,773	6,868,283	48,853,971	41,610,988

Municipality of Casselman
Consolidated accumulated surplus
Year ended December 31, 2022

Schedule 2

	2022	2021
	\$	\$
Reserves (Schedule 3)		
Working capital	307,438	282,438
Municipal elections	-	13,500
Fire department	605,525	430,525
Casselman Hydro Inc.	75,042	75,042
Land held for sale	1,614,634	1,614,634
Recreation program	159,000	100,000
Roads	339,000	364,000
	3,100,639	2,880,139
Reserve funds (Schedule 3)		
Waterworks	245,639	1,784,051
Sewer	818,903	524,018
Planning and development	125,595	13,655
Landfill	132,915	176,749
	1,323,052	2,498,473
	4,423,691	5,378,612
Operating		
For decrease of taxation	4,003,912	3,001,493
Library Board	137,953	261,826
Corporation de la revitalisation du centre-ville de Casselman	41,442	24,872
	4,183,307	3,288,191
Invested in tangible capital assets	28,890,171	25,763,909
Unfinanced tangible capital assets	-	(794,271)
Unfinanced landfill site provision	(1,380,922)	(1,275,827)
	27,509,249	23,693,811
	36,116,247	32,360,614

Municipality of Casselman**Consolidated statement of change in reserves and reserve funds**Year ended December 31, 2022

Schedule 3

	Actual 2022	Actual 2021
	\$	\$
Revenues		
Investments	42,207	16,853
Net transfers from operating	(997,128)	2,992,720
Change in reserves and reserve funds	(954,921)	3,009,573
Reserves and reserve funds, beginning of year	5,378,612	2,369,039
Reserves and reserve funds, end of year	4,423,691	5,378,612

Municipality of Casselman
Consolidated statement of expenses by object
Year ended December 31, 2022

Schedule 4

	2022 Budget	2022 Actual	2021 Actual
	\$	\$	\$
Expenses			
Salaries, wages and benefits	2,210,882	2,479,508	1,899,817
Interests	494,552	541,254	436,743
Materials	443,408	526,425	394,496
Contracted services	3,221,852	4,412,703	3,297,896
External transfers	69,921	32,268	31,137
Amortization of tangible capital assets	-	1,808,360	1,747,970
Loss on sale of tangible capital assets	-	33,736	12,916
	6,440,615	9,834,254	7,820,975